



United States
General Accounting Office
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Accounting and Information
Management Division

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September 16, 1993

The Honorable Sam Nunn
Chairman, Committee on
Armed Services
United States Senate

The Honorable Ronald V. Dellums
Chairman, Committee on
Armed Services
House of Representatives



149925

This letter summarizes our actions in response to congressional interest in the General Accounting Office (GAO) assessing the Defense Finance and Accounting Service's (DFAS) support of its customers and its plans to implement joint military pay systems. That interest is reflected in directives contained in the Senate report (S. Rept. 102-352) and conference report (H.R. Rept. 102-966) on the National Defense Authorization Act for Fiscal Year 1993 and in subsequent discussions with the Senate Armed Services staff.

On February 18, 1993, we met with the Senate Armed Services staff to brief them on audit work already underway in this area by GAO and the Army Inspector General (IG). It was agreed that completing our ongoing work, which included evaluating the Army's implementation of a joint services software (JSS) military payroll system and assessing whether the system should be expanded to the Navy, together with the IG's work, would address the subject of the directives. Our evaluation of JSS was being done pursuant to our audit of the Army's fiscal year 1992 financial statements. More specifically, our work focused on identifying major JSS pay computation, accountability, and internal control problems, which the Army will have to correct and which would constitute impediments to expanding JSS to the Navy.

At this meeting, we advised Senate Armed Services staff that the IG was also inspecting the Army's worldwide implementation of JSS, focusing in particular on commander support of JSS, implementation of JSS at the installation level, and soldier satisfaction with the new pay system. The IG expects to issue a report by the end of September 1993 and has agreed to provide it to your staffs at that time.

GAO/AIMD-93-71R Defense Financial Management Issues

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In a June 18, 1993, status briefing for the Senate Armed Services staff, we pointed out that our work on the Army showed that JSS' design and operating problems were responsible for

- making invalid payments;
- withholding payroll deductions for federal income, social security, and medicare taxes but not fully remitting amounts withheld to the Internal Revenue Service (IRS);
- not being able to reconcile payroll deductions recorded in its payroll master files with deductions reported to IRS; and
- charging pay amounts to the wrong appropriation.

Based on these problems, we stated that we would recommend that JSS not be expanded to the Navy until DOD corrects the design and operating deficiencies.

The overall results of our evaluation of the Army's implementation of JSS are summarized in the attached charts, which were used in the briefing. Also, our detailed findings and recommendations on JSS design and operating problems are presented in a report prepared pursuant to our audit of the Army's fiscal year 1992 financial statements, which currently is with the Army for official comment. We expect to issue the final report at the end of this month, and will provide copies to you and members of your staffs.

Should you have any comments or wish to have additional information, please contact me on (202) 512-9095.


David M. Connor
Director, Defense Financial Audits

Enclosure

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- ARMY'S IMPLEMENTATION OF
THE JOINT SERVICE
SOFTWARE (JSS)
(MILITARY PAYROLL SYSTEM)

GAO **GAO'S SURVEY OBJECTIVES
FOR JSS**

ENCLOSURE

- **SURVEY THE IMPLEMENTATION OF JSS BASED ON ONGOING WORK AND TOP-LEVEL CONTACTS WITH DFAS AND MILITARY SERVICES AND BRIEF ON:**

- **ANY INDICATIONS THAT JSS WAS BASICALLY FLAWED**

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ENCLOSURE

GAO'S SURVEY OBJECTIVES FOR JSS

- ANY PROBLEMS WITH JSS -
ARMY APPLICATION (AA)
IN EFFECTIVELY COMPUTING,
CONTROLLING, AND
ACCOUNTING FOR MILITARY
PAY

- ANY PROBLEMS WITH MILITARY
PAY AS A RESULT OF THE
DFAS CONSOLIDATION

GAO'S SURVEY: RESULTS IN BRIEF

- JSS IS NOT A TRUE UNIFORM PAYROLL SYSTEM FOR ALL MILITARY SERVICES
- JSS-AA DOES NOT PROVIDE ADEQUATE ASSURANCE THAT ONLY AUTHORIZED PERSONS ARE PAID

GAO OBJECTIVES OF JSS

ENCLOSURE

- **A UNIFORM MILITARY PAYROLL SYSTEM FOR ALL MILITARY SERVICES FOR BOTH ACTIVE AND RESERVE:**
- **PROVIDES ADEQUATE ACCOUNTABILITY AND CONTROL FOR PAYROLL**

ENCLOSURE

GAO OBJECTIVES OF JSS

- **OPTIMIZES THE COST TO MAINTAIN AND OPERATE**

ENCLOSURE

ENCLOSURE

GAO SYSTEM OBJECTIVES

ENCLOSURE

A GOOD PAYROLL SYSTEM SHOULD:

- **PAY PROPER AMOUNT ON TIME**
- **PROVIDE PROPER ACCOUNT-
ABILITY**
- **MEET REGULATORY REQUIRE-
MENTS**
- **BE COST-EFFECTIVE**

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ENCLOSURE

JSS-AA PAY COMPUTATION PROBLEMS

- JSS-AA DESIGN AND OPERATING PROBLEMS HAVE RESULTED IN:
 - INVALID PAYMENTS
 - IMPROPERLY REMITTED PAYROLL WITHHOLDINGS
 - PAYMENTS TO INDIVIDUALS NOT IN THE PERSONNEL SYSTEM

JSS-AA ACCOUNTABILITY AND CONTROL PROBLEMS

- JSS-AA DESIGN OPERATING PROBLEMS PRECLUDE:
 - RECONCILING PERSONNEL AND PAYROLL MASTER FILES
 - RECONCILING PAYROLL REPORTS WITH REPORTS SENT TO TREASURY

JSS-AA ACCOUNTABILITY AND CONTROL PROBLEMS

- RECONCILING PAYROLL DEDUCTIONS WITHHELD AND REMITTED

- ASSURING THAT PAY AMOUNTS ARE CHARGED TO PROPER APPROPRIATION

**GAO JSS NOT A DOD-WIDE,
UNIFORM SYSTEM**

- **IMPLEMENTED JSS VERSIONS**
 - **JSS-AIR FORCE**
 - **JSS-ARMY APPLICATION
(1992)**

- **PLANNED JSS VERSIONS**
 - **JSS-NAVY APPLICATION
(1995)**

- **JSS-RESERVE
COMPONENTS UNDER
DEVELOPMENT**

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GAO MAJOR PLAYERS FOR JSS

**• DFAS-DENVER JSS SYSTEM
MANAGER**

**• DITSO-DENVER WRITES ALL
JSS SOFTWARE**

**• DFAS-DENVER RUN JSS-
AIR FORCE VERSION**

**• DFAS-INDIANAPOLIS RUNS
JSS-AA VERSION**

**GAO CAUSES OF JSS-AA
PROBLEMS**

- **DFAS DID NOT FOLLOW
PROPER PROCEDURES DURING
JSS-AA IMPLEMENTATION**
- **ARMY FORMER PAYROLL SYSTEM
DEFICIENCIES WERE NOT
CORRECTED PRIOR TO JSS-AA
IMPLEMENTATION**
- **INDIVIDUAL PAYROLL DATA
NOT VERIFIED**

**GAO CAUSES OF JSS-AA
PROBLEMS**

- **ACCOUNTING AND BUDGET
PERSONNEL NOT ADEQUATELY
TRAINED**

GAO DFAS ACTIONS ON JSS-AA PROBLEMS

- **ESTABLISHED A TASK FORCE TO CORRECT PAY DATA**
- **STARTED TO RESEARCH TAX REPORTING ISSUES AND IMPLEMENT SYSTEM CHANGES**

**GAO DFAS ACTIONS ON JSS-AA
PROBLEMS**

ENCLOSURE

- **PLANNED TO CORRECT CODING ERROR THAT ALLOWED PAY TO BE CHARGED TO WRONG APPROPRIATION**

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GAO STUDY OF JSS-AA BY ARMY IG

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- **MARCH - JUNE 1993
EVALUATION OF A SAMPLE
OF SOLDIERS AND ARMY
INSTALLATIONS WORLD-
WIDE**

- **REPORT TO BE RELEASED IN
EARLY SEPTEMBER**

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JSS-AA ISSUES ADDRESSED BY ARMY IG

- MAGNITUDE OF PROBLEM
- EXTENT OF TRAINING FOR
CONVERSION TO JSS-AA
- ADEQUACY OF STAFFING AT
ARMY ORGANIZATIONS FOR
CONVERSION TO JSS-AA

**GAO JSS-AA ISSUES ADDRESSED
BY ARMY IG**

- **EXTENT OF COMMANDERS'
SUPPORT OF JSS-AA**
- **RESOLUTION OF SOLDIER
COMPLAINTS**
- **SOFTWARE CHANGES THAT
NEED TO BE MADE TO JSS-AA**

**GAO OUR CONCLUSIONS AND
RECOMMENDATIONS**

- **PAYROLL PROBLEMS NOT
CAUSED BY DFAS CON-
SOLIDATION**
- **CONSIDER VALUE OF A
UNIFORM PAY SYSTEM**
- **HOLD CONSIDERATION/
ACTION UNTIL ARMY
IG REPORT - END AUGUST
OR EARLY SEPTEMBER**